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Good afternoon, Mr. Chairman, Ranking Member, and Members of the Subcommittee. Thank you for the opportunity to discuss our past and on-going audit work related to the Job Corps program, including work related to Job Corps' recent budget shortfalls. As you know, the Office of Inspector General (OIG) is an independent entity within the Department of Labor (DOL); therefore, the views expressed in my testimony are based on the findings and recommendations of the OIG and are not intended to reflect the Department's position.

Job Corps is the nation's only Federally-operated residential training program for at-risk youth and young adults, and is a critical component of the Department's workforce development program. The Job Corps program provides residential and non-residential education, training, and support services to approximately 60,000 disadvantaged, at-risk youths, ages 16-24, at 125 Job Corps centers nationwide. The goal of this $1.7 billion program is to offer an intensive intervention to this targeted population as a means to help them turn their lives around and prevent a lifetime of unemployment and dependence on social programs. Ensuring the effectiveness of the Job Corps program is one of the major management challenges faced by the Department, and the OIG has focused significant audit efforts towards identifying necessary improvements in the program. Over the past five years, we have issued 32 reports containing 175 recommendations to improve various aspects of Job Corps' operations. Job Corps has been generally responsive to our audit findings, and has implemented corrective actions in response to our recommendations.

Currently, we have several audits underway, including one looking into the recent budget shortfalls experienced by Job Corps. Former Secretary Solis informed the OIG last summer of budget overruns in Job Corps' program year 2011 appropriations, and requested that we perform a review of the internal controls in place over Job Corps' contract operations. In response to the request, we are currently conducting an audit to determine whether Job Corps' internal control processes over funds management and expenditures, including contracting activities, have been properly designed and implemented. Specifically, the audit will determine why the budget shortfall happened, what control issues allowed this to happen, what changes the Department has made and what additional changes are still needed to ensure this does not happen again. We expect the work to be completed in May, barring any unforeseen issues encountered.

As requested by the subcommittee, I will now discuss program and financial management issues related to program performance, procurement activity, and student and staff safety and health, issues on which we have reported concerns as a result of our audit work.

Program Performance

Job Corps uses output and outcome performance information to make critical program decisions. Having reliable data regarding the number of students enrolled in the program, the number who earn a high school diploma or GED, the number who complete vocational training, and the number who obtain employment and/or vocational training related employment is needed to enable Job Corps to determine if the program is working and is cost-efficient. Also, given that more than 75 percent of Job Corps centers are operated by private contractors, reliable performance information is needed by Job Corps when making decisions to exercise contract option years or to award new contracts for center operations.

Our body of work includes several audits related to program performance. These audits have identified issues with the accuracy and reliability of reported performance by Job Corps' contractors related to on-board strength, job training match, and student eligibility. Our audits have also identified weaknesses in Federal oversight of center operators.

Job Training Match

A recent audit identified concerns about the reliability of Job Corps' metrics for job training match. Not only is the purpose of Job Corps to help students find employment, but it is also to provide specialized vocational training that will result in training-related employment, that offers the potential for better wages. A 2011 audit found that 3,226 of the 17,787 training-related placements reported for the periods we reviewed either did not relate, or poorly related, to the vocational training received. For example, students trained in office administration, but placed in fast food restaurants were reported as job training matches. We also found that 1,569 students who completed vocational training were placed in jobs that required little or no previous work-related skills, knowledge or experience, such as parking lot attendants, janitors, and dishwashers. As a result of these findings and the importance of maximizing the success of Job Corps, we are conducting an audit this year to assess the effectiveness and efficiency of Job Corps' services in helping its students to gain necessary skills and employment. Specifically, this audit will evaluate the status of students prior to enrolling in Job Corps, the training they received, their initial job placements, and their job retention six and twelve months after leaving Job Corps.

Federal Oversight of Center Operators

We have also found and reported on lax Federal oversight of center academic and career technical training programs. Tools used by Job Corps to provide oversight of these programs include Regional Office Center Assessments -- a week-long compliance assessment designed to cover all aspects of center operations – and the development of Performance Improvement Plans for centers that do not meet expected levels of performance.

An audit issued last year found that Job Corps did not place sufficient emphasis on assessing career technical training programs during its Regional Office Center

Assessments. For example, we found that Job Corps identified and addressed program weaknesses for only 7 of the 510 (1.4 percent) career technical training programs that underperformed during program years 2008 to 2010. Additionally, we found that during fiscal years 2007 through 2011, 89 of the 120 required Regional Office Center Assessments were not completed timely. This lack of adequate or timely oversight hindered Job Corps' efforts to ensure its students were being taught the skills they needed to find meaningful jobs.

Moreover, during program years 2008 to 2010, Job Corps issued Performance Improvement Plans for just 12.6 percent of the 510 underperforming career technical training programs. Not surprisingly, many of the underperforming programs that did not receive Performance Improvement Plans continued to underperform in subsequent years.

We also found that Job Corps could use Performance Improvement Plans to improve its oversight of center academic programs. We found that 11 percent of Job Corps centers did not meet their high school diploma/GED attainment performance goals in program years 2008 through 2010. At the time of our audit, Job Corps stated that it had not developed policies and procedures to issue Performance Improvement Plans for underperforming academic programs because the Workforce Investment Act does not require them. While Performance Improvement Plans are not required, the Act specifically provides the Department with the latitude to develop and implement such plans as needed. Issuing Performance Improvement Plans to centers with underperforming academic programs could enhance the oversight provided by Job Corps and may help eliminate problems hindering centers' performance for this very significant program outcome.

Finally, a critical aspect of financial management for a billion-plus dollar Federal program such as Job Corps is to measure the cost of its outcomes. A 2011 audit found that in program year 2009, Job Corps' calculated its cost per student by dividing a portion of its appropriated expenses by the number of new enrollees over the course of a program year. However, Job Corps did not include administrative costs when calculating that measure, thus the cost per student was understated. Additionally, we found that establishing other cost efficiency metrics, such as cost per student training slot utilized or cost per job placement, could provide decision-makers with more information to measure and manage the program's costs, successes, and areas where cost efficiencies are necessary.

On-board Strength

Job Corps assesses how well a center operator is utilizing center capacity through a measure called "on-board strength." A recent audit of two centers operated by the same contractor found the contractor did not always separate students for excessive unexcused absences as required by Job Corps' policy. As a result, on-board strength performance was overstated for these two centers. Overstatements of a center's onboard strength, such as those disclosed in our audit, subjects the contractors to liquidated damages under the terms of their contracts. Moreover, by allowing students with excessive absences to remain in the program, Job Corps may be excluding more committed students from admission to the program.

Student Eligibility

It is also critical for Job Corps to ensure that it serves only those students who meet its low-income eligibility requirements. Our September 2011 audit of Job Corps' controls for ensuring Job Corps contractors only enrolled eligible students found that inadequate enrollment procedures allowed ineligible students to take slots intended for at-risk and low-income youth. Job Corps' policy allowed most potential students to self-certify their family income levels. Admissions counselors were required to obtain income documentation from potential students only if the information provided verbally was questionable, or if the potential students' social security number ended in one of five, two-digit sequences. This sampling methodology resulted in requiring documentation from just five percent of student applicants. No documentation, such as paycheck stubs or proof of public assistance, was required for the other 95 percent of Job Corps' recruits. At the time of the audit, we estimated that Job Corps enrolled 472 ineligible students in the program in March 2011 at a projected expenditure of about $14 million to train them. We recommended that Job Corps reassess the eligibility of all active students where Job Corps' system showed recorded family incomes above the established income thresholds and take appropriate action, such as terminating the student and recovering costs from the outreach and admissions contractor. Also, for the 153 ineligible students we identified during our testing of a sample of admitted students, we recommended that Job Corps recover from its outreach and admissions contractors the approximately $2.3 million it had already sent to train these students.

Procurement Activity

Job Corps currently trains more than 60,000 students at 125 centers nationwide, of which 28 are federally operated by the U.S. Department of Agriculture's Forest Service. The other 97 centers are operated by contractors, who carry out the bulk of Job Corps' sub-contracting procurement activity. From a financial management perspective, our most recent audit work has focused on the Department's procurement activities to obtain contractors to operate Job Corps centers and perform other needed program services. We have also looked at the procurement activities of contractors who themselves procure center services from subcontractors.

Our work in this area has consistently identified procurements that did not ensure the best value for the taxpayers. For example, our review of Job Corps center contractor procurements found that the Department awarded a five-year contract for $37.5 million to continue operation of a center and by the end of the fifth year, 13 modifications had increased the total contract cost by 22 percent to $45.7 million. Most troubling was the fact that, while the cost of the contract increased significantly, there were no modifications for additional goods or services.

In another instance, we identified a $2.4 million contract that the Department awarded without competition, citing "only one responsible source will satisfy agency requirements." However, Job Corps market research indicated that there were 18 other contractors capable of doing the work. Absent competitive bids on such contracts, the Department cannot be assured it receives a fair price for services.

Recently, we issued a series of audit reports on the procurement activities at seven centers operated by five different contractors. These centers served 4,447 students and managed about $29 million in subcontracts during Program Years 2010 through the first quarter of 2012.

Our audit determined that none of the seven center operators consistently ensured best value to the Federal government when awarding sub-contracts and purchase orders. In aggregate, we questioned whether the government received the best value for $17.1million in contracts issued by the seven centers. For example, one center operator allowed an Executive Vice President to award a sole source contract to a company owned and operated by a subordinate Vice President. In addition to conflict of interest concerns, the lack of competition for the contract meant that the center operator could not demonstrate it had paid a fair price for the services it procured. We found that center operator policy guidance regarding center procurement activity was inadequate and, as a result, the seven center operators did not consistently comply with Federal and contractual requirements applicable to their procurement activities.

Student and Staff Safety and Health

Providing students and staff a safe and healthy environment so that students can take full advantage of the resources Job Corps provides is critical to the success of the program. Our past audits have found that Job Corps needs to make improvements in enforcing its student disciplinary policies, and in ensuring that its facilities are properly maintained, including promptly addressing any hazardous conditions.

Enforcement of Student Disciplinary Policies

In order to provide the safest possible learning environment, Job Corps has a Zero Tolerance Policy against violence and drugs. Students who break this policy are to be dismissed and not allowed to re-enter the program. Other serious misconduct that could lead to dismissal includes persistent disobedience of center rules, repeated or prolonged absences from classes, improper use of center facilities and equipment, and leaving the center without permission.

In a series of audits issued in 2009 and 2010 covering 10 centers operated by 6 contractors, we found that 4 centers did not always convene Fact Finding Boards and Behavior Review Panels as required for students suspected of serious misconduct. For example, from a sample of 188 events identified in security records at the 4 centers, we identified 29 events requiring a Fact Finding Board for which none was held. These students were allowed to remain at the center without consideration of appropriate disciplinary action, including removal from the center, thus potentially placing other students and staff at risk. Based on a sample of the 268 students at one center who were separated for disciplinary reasons, we found that 16 percent had committed earlier infractions for which a Fact Finding Board or Behavior Review Panel should have been convened, but was not.

In addition to not properly investigating serious misconduct, the same series of audits identified 6 centers where properly investigated misconduct was not reported to Job Corps as required. We determined that 40 percent of 235 significant incidents occurring at the 6 centers during our audit period were not reported to Job Corps. These incidents included physical assault, weapons possession, narcotics possession or sales, and other events that indicated a student was a danger to himself or others. Although these centers may have investigated and taken appropriate disciplinary action, not reporting these events to Job Corps impacts Job Corps' ability to ensure that centers take appropriate actions regarding the incidents being reported or to analyze trends to support management and policy decisions at a national level.

Facility Management

Over the past several years, OIG audits have found that Job Corps faces a number of challenges to keep its facilities safe, including conducting required inspections, correcting identified deficiencies in a timely manner, and maintaining accountability over its maintenance funds.

Job Corps center operators are required to conduct weekly safety inspections of food handling and recreation areas, and to perform monthly safety and occupational health inspections of other areas. Centers are to correct identified deficiencies promptly, and document and maintain records of inspections and corrective actions. Our audits at individual Job Corps centers found that some centers were unable to demonstrate that they had conducted all of the required inspections. As a result, students and staff at those centers were exposed to safety and health hazards that could have been identified and abated, such as locked emergency exit doors and improperly stored flammable liquids observed at one center. Past OIG audits have also found other unsafe and unhealthy conditions that had not been addressed, such as: (1) extensive mold in a culinary arts storage room; (2) potential asbestos hazards; (3) multiple tripping hazards; and (4) hanging and exposed ceiling tiles in student areas.

Another issue involves Job Corps' ability to correct identified deficiencies in a timely manner. Even though Job Corps has directed all regions and center operators to take "immediate action to repair all funded deficiencies in order to ensure a safe and healthy learning environment," a recent OIG report identified hundreds of deficiencies that had been funded for at least 2 years but had not been corrected.

Past OIG audits have also identified Job Corps' challenge to ensure accountability over its maintenance funds. During program years 2009-2011, Job Corps received about $108 million per year in appropriations to pay for new center construction, rehabilitation of existing centers, land acquisitions, and necessary maintenance to keep its centers in acceptable condition. One of our audits showed that Job Corps had allowed an estimated $9 million in maintenance funds that had been set aside for 149 repairs to expire without the repairs having been made. In response to our audit, Job Corps stated that in fact $15.8 million had expired, but that this represented 1.2 percent of total Construction, Rehabilitation, and Acquisition funding for program years 2002 through

2011, which it stated “is below average for the Department.” The inability of Job Corps to expend these funds represents a lost opportunity to fund critical repairs and ensure safe conditions at those centers.

Current Audit Work

As previously stated, Job Corps is an important part of the Department’s efforts to serve at-risk youth and young adults, and we continuously initiate audits to identify ways to improve the program.

In addition to our audit looking into the Program Year 2011 and Program Year 2012 budget overruns, our current reviews include an audit to determine if Job Corps’ contracts for nationwide services, totaling approximately $95 million annually, were properly awarded. We are also looking at the expenditure of student travel funds.

Thank you for the opportunity to testify on our past and ongoing work. I would be pleased to answer any questions that you or any Members of the subcommittee may have.